



DEFENSE LOGISTICS AGENCY
THE DEFENSE CONTRACT MANAGEMENT COMMAND
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FT. BELVOIR, VIRGINIA 22060-6221

OCT 25 1996

IN REPLY
REFER TO

AQOE

MEMORANDUM FOR COMMANDERS, DEFENSE CONTRACT MANAGEMENT DISTRICTS

SUBJECT: Negotiated Reconciliation Process

The Defense Finance and Accounting Service Columbus (DFAS-CO) has identified a group of 57 contracts (Attachment 1) which are candidates for contract closeout, but have numerous missing documents preventing reconciliation and subsequent closeout. Efforts have been made to find these documents in the files of all organizations involved in the contract payment process, but with no success.


Administrative Contracting Officers (ACOs) shall reconcile and close out these 57 contracts using a negotiated contract reconciliation process. Attachment 2 outlines the process to be used for reconciliation and closeout of these 57 contracts only. At a future time if it is determined this process should be applied to other contracts, further instruction will be issued.

This negotiated reconciliation action shall be coordinated and chaired by the ACO, and must be coordinated with the Procuring Contracting Officer, DFAS-CO, and the Funding Station. Contractors should be in the coordination cycle as appropriate. In addition, the ACO should request support from the Defense Contract Audit Agency and DCMC legal staff. The DCMC Headquarters Property Management, Contract Closeout and Terminations Team (AQOE) and the DCMC Customer Liaison Team at DFAS-CO will also be available to work with these offices to help facilitate this process. After a negotiated reconciliation has been accomplished, the ACO shall proceed with contract closeout.

Reconciliation of these contracts shall be accomplished within the next 180 days. It is recommended the oldest contracts be completed first. Reconciliation and closeout status shall be reported at the Monthly Management Reviews until closeout actions are completed. Status shall be reported using a matrix showing the date and method of resolution of each of the 57 contracts.

It is important we quickly step out on this action. Our customers and DFAS are anxious to expedite contract reconciliation. These reconciliation actions will have a positive effect on contract closeout, and all parties involved will reap significant benefits.

Questions concerning this process should be referred to the District Focal Points: DCMDE - Joyce Blais, (617) 753-3398 and DCMDW - Julia Johnstone, (310) 335-3692, or Stephanie Strohbeck, AQOE, (703) 767-3445 or e-mail: stephanie_strohbeck@hq.dla.mil.


J. E. PETTIBONE
Executive Director
Contract Management Policy

Attachments

DFAS-CO-NORTH DIRECTORATE
Associate Director - Thomas O'Brien
Deputy Associate - Gail Guest
DSN 869-6058
Commercial (614) 693-6058

<u>Contract Number</u>	<u>Contractor Name</u>	<u>DCMAO</u>	<u>Reason Unreconcilable</u>
DAAB07-81-C0587	Fertantl Intl	Reading	Missing documents
DAAB07-82-CJ114	Martin Marietta	GE Aerospace	Missing payments and documents
F41608-86-C1354	Kearfott Guidance	GEC Kearfort	All mods, payments and documents
DAAE07-85-CJ047	AM General	Indianapolis	Missing 9 adjs XFR in w/o Cert of funds
N00039-86-C0032	ITT Aerospace	Indianapolis	Missing 9 adjs and documents
DABT60-85-C0403	CAE-Link	Syracuse	All payment folders pg 1-24 of contract
F19628-85-C0004	Raytheon	Raytheon	Missing 9 adjs and all payment documents
F04606-81-C1230	GEC-Marconi Elect.	GEC/Kearfott	Missing documents
F04704-84-C0031	Martin Marietta	GE Aerospace	Missing documents
DAAB07-76-C0050	Martin Marietta	GE Aerospace	Missing documents
N00024-77-C0465	Diagnostic Retriev	Springfield	Missing documents
DAAE07-84-GA006/ 0006	Textron Lycoming	Stratford	Missing documents and 77 shipments
F09603-86-C4830	Lockheed Sanders	Lockheed	Missing documents
DAAH01-88-C0080	Raytheon	Not in system	Missing documents
DAAA09-81-G2008/ 0031	Mine Safety	Pittsburgh	Missing documents
F41608-91-D-420/ 0001	Allied Signal	Indianapolis	Missing documents
N00024-83-C6225	Diagnostic Sys	Springfield	Missing documents
F33657-85-C0050	Mine Safety	Pittsburgh	Missing documents
DAAE07-85-CA043	General Dynamics	Detroit	Missing documents trans in w/incomplete records
DAAE07-81-C5597	Lydia Ordaz	Indianapolis	Missing documents and adjustments
DAAH01-84-GA003/ 0026	Marion Radomski	Stratford	Numerous shipments and missing documents

Total Contracts Unreconcilable = 21

DFAS-CO-WEST DIRECTORATE
Associate Director - Patsy Frisch
Deputy Associate - Maura Shaffer
DSN 869-5576
Commercial (614) 693-5576

<u>Contract Number</u>	<u>Contractor Name</u>	<u>DCMAO</u>	<u>Reason Unreconcilable</u>
DAAK29-85-C0631	Electronic Space	St. Louis	All files missing
DAAK01-88-DD080/ 0002	Libby Corp	St. Louis	All files missing
DAAA09-92-C0611	Alliant Tech Sys.	Twin Cities	All files missing
N00024-82-C6135	Alliant Tech Sys.	Twin Cities	All pay folders and mods missing
N00024-73-C1327	Unisys	Twin Cities	Missing 200 vouchers
F19628-80-C0126	Hughes	Hughes-LA	All files missing
DASG60-88-C0050	Sparta, Inc.	Santa Ana	All files missing
DAAA09-80-C0168	NI Industries	Santa Ana	All files missing
N00024-81-C5340	Solar Turbines	San Diego	Pay folders missing
DAAH01-90-CA025	Sale	San Diego	Missing mods and pay folders
N00019-87-C0268	Universal Prop.	Phoenix	All files missing
N00019-88-C0153	Simula	Phoenix	All files missing
N00123-87-C0074	Western Computer	Van Nuys	All files missing
N00024-92-G5632/ 0001	ITT	Van Nuys	Payment folders missing
F42600-85-C1678	Unisys	Van Nuys	All files missing
N00019-72-C0500	Litton	Van Nuys	All files missing
F04606-84-G1017/ BG84	Litton Systems	Van Nuys	All files missing
N00024-86-C5833	Datatape, Inc.	Van Nuys	All files missing
DAAK01-85-DB01/ 0002	Applied Companies	Van Nuys	All files missing
F04701-81-C0003	Space Sys/Loral	San Fran	All files missing
F04606-88-G0084/ RJ25	Litton	San Fran	All files missing
F04690-79-C0010	Loral/Space Range	San Fran	All files missing
DAAH01-86-CA111	Esi	San Fran	All files missing
M00027-87-C0049	Bruce Ind.	San Fran	All files missing
F04690-79-C0014	Loral/Space Range	San Fran	All files missing
DAAL02-87-C0136	Berkeley Research	San Fran	All files missing
F09603-86-C4753	Litton	San Fran	All files missing
DAAK20-82-C0635	Argosystems	San Fran	All files missing
F33600-85-G5008/ 0006	Watkins Johnson	San Fran	All files missing
F04701-74-C0055	Loral/Space Range	San Fran	All files missing

Total Contracts Unreconcilable = 30

DFAS-CO-SOUTH DIRECTORATE
Associate Director - Joe Childers
Deputy Associate - Clifford Barasch
DSN 869-5340
Commercial (614) 693-5340

<u>Contract Number</u>	<u>Contractor Name</u>	<u>DCMAO</u>	<u>Reason Unreconcilable</u>
N00024-86-C5948	Litton Systems	Baltimore	Missing contract
N61339-77-C0028	AAI Corp	Baltimore	Missing contract
N00019-77-C0046	AAI Corp	Baltimore	Missing contract
N61339-90-C0038	Technology Appl.	Baltimore	Missing 39 payments
MDA903-81-C0166	Logistics Mgmt.	Baltimore	Missing SV's, CCV's, back-up dot.
N00039-87-C0018	TWR Systems	Philadelphia	Missing contract

Total Contracts Unreconcilable = 6

**PROCESS FOR NEGOTIATED RECONCILIATION
(for attached 57 contracts)**

1) Identify contract discrepancies.

a) The ACO will perform an obligation audit and provide DFAS-CO with these results. This audit should include review of the Mechanization of Contract Administration Services (MOCAS) database for applied modifications and modifications reflected as unprocessed.

b) The ACO will obtain a list of DFAS-CO identified discrepancies preventing reconciliations and actions taken to reconcile in the normal manner. Information provided the ACO should be in sufficient detail to pinpoint specific areas precluding completion of a valid reconciliation (what documents are missing; copy of the funding station records, etc.). Upon receipt of this documentation, the ACO will determine the level of Contractor involvement based on the nature of the discrepancy(ies), internal Government vs. unresolved issues with the Contractor, and if necessary obtain copies of Contractor records and compare areas where major differences exist between Government and Contractor financial records. Should the Contractor have copies of any missing documentation, these should be provided the ACO for transmittal to DFAS-CO. Note: Information, record gathering/paperwork burdens should not be placed on the Contractor unless necessary.

2) Negotiate Contract Reconciliation.

Upon a joint determination by the ACO and DFAS-CO that reconciliation can not proceed due to unresolved Contractor issues, the ACO will request the Contractor assent to: a) satisfaction of all contract requirements, and b) accuracy of his billing records. ACO will contact the PCO to obtain verification of contract completion and concurrence in reconciliation through the negotiation process. Simultaneously, DFAS-CO will be requested to obtain concurrence to proceed from the Funding Station. If all parties are in agreement, to include the Contractor if Contractor issues remain open, the ACO will schedule a negotiation session and request support from DFAS-CO, DCAA, Counsel and the PCO. If issues surrounding reconciliation by negotiation are discovered that result in any discord over the process within the Government, attempts to resolve the discord will be addressed. If open issues cannot be resolved at the local level, elevate to the District point of contact. If resolution cannot be achieved at the District level, elevate to DCMC Property Management, Contract Closeout and Termination Team (AQOE) for action.

3) Complete the negotiation, prepare and have appropriate parties execute the reconciliation agreement, and issue a contract modification as applicable.

As with all negotiations, the ACO shall ensure the official contract file is documented with the rationale for actions taken.

4) Proceed with contract closeout as described in FAR 4.804-5.

Contract closeout may be accomplished in parallel to the negotiated reconciliation process. The contract closeout checklist may be used to perform this action. Ensure the contract reconciliation is apart of the contract modification.

NOTE: DFAS-CO Points of Contact for the 57 contracts are:

Jay Wilkerson for DCMDW (JWZ) contracts - Tel. 614-693-4873

Tom Doermer for DCMDE (JNZ) contracts - Tel. 614-693-5964